

# Country briefing: Cambodia

**A Basel AML Index briefing following the decision of the Financial Action Task Force (FATF) to remove Cambodia from its list of jurisdictions under increased monitoring (“grey list”) in February 2023**

## In a nutshell

**Jurisdiction:** Cambodia

**On FATF grey list:** June 2011 to February 2015; February 2019 to February 2023

**Principal reasons:** Low performance in effectiveness; severe gaps in technical compliance

**Latest FATF reports:** September 2017 (Mutual Evaluation Report) and August 2022 (5th Follow-Up Report) by the APG

**Significance:** Being delisted is essential for Cambodia to ease trade with international partners and to regain access to foreign financial assistance and investments

## 1 Key gaps and action plan

In September 2017, Cambodia was assessed with a FATF Mutual Evaluation Report (MER) taking into account both technical compliance with the FATF global anti-money laundering and counter financing of terrorism (AML/CFT) standards and the effectiveness of the measures.

As identified by the report, one of the most severe shortcomings in Cambodia’s AML/CFT measures was in the country’s casino industry and real estate sectors. These were said to be subject to poor supervision and poor controls to prevent or detect money laundering offences.<sup>1</sup>

The first follow-up report was issued in September 2018, demonstrating that the country was making only slow progress in implementing the recommendations given in the MER. Cambodia made progress only in two recommendations.

Cambodia was included in the grey list in February 2019. The country made political commitments to improve its AML/CFT architecture and increase its effectiveness. The action

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<sup>1</sup> <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Mer-cambodia-2017.html>

plan included a list of 10 items to be delivered within 15 months. The plan required the following:<sup>2</sup>

1. Provide a broad legal basis for mutual legal assistance (MLA) and conducting relevant training to law enforcement agencies.
2. Implement risk-based supervision for real estate and casinos.
3. Implement risk-based supervision for banks, including through prompt, proportionate and dissuasive enforcement actions, as appropriate.
4. Amend the AML/CFT law to address the remaining technical compliance deficiencies.
5. Conduct sector-specific outreach to casinos, real-estate and money value transfer service providers.
6. Increase domestic coordination and cooperation to enhance money laundering investigations.
7. Increase financial intelligence unit resources, enhance the analysis of suspicious transaction reports and increase dissemination of financial intelligence to law enforcement agencies.
8. Demonstrate an increase in money laundering investigations and prosecutions.
9. Demonstrate an increase in the freezing and confiscation of criminal proceeds, instrumentalities and property of equivalent value.
10. Establish and implement a legal framework for UN targeted financial sanctions related to proliferation financing and enhance the understanding of sanctions evasion.

## **2 Actions taken and progress made**

By [February 2020](#), the country had fulfilled only two items of the action plan – increased domestic coordination and sector-specific outreach to casinos, real-estate and money or value transfer service providers. There were still eight items to be delivered.

By January 2021, Cambodia had failed to complete its action plan within the given timeline of 15 months. The deadline was extended to 24 months due to the Covid-19 pandemic. There were five items left to be achieved in that time:

- Prompt, proportionate and dissuasive enforcement actions to be applied to banks, as appropriate.
- Dissemination of financial intelligence to law enforcement agencies.
- Money laundering investigations and prosecutions in line with risks.
- Freezing and confiscation of criminal proceeds and instrumentalities of crime.

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<sup>2</sup> <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Fatf-compliance-october-2019.html>

- Obligations of the private sector concerning targeted financial sanctions related to proliferation financing and enhancing the understanding of sanctions evasion.

By [June 2022](#), only two action plan items were left. In [October 2022](#), the FATF made the initial determination that Cambodia had substantially completed its action plan and warranted an onsite visit to verify the implementation of its AML/CFT reforms. On 13 January 2023, the group of experts completed an onsite inspection of the government's progress on the plan with positive conclusions.

Cambodia was finally removed from the grey list at the FATF's plenary meeting in February 2023.

### 3 Expected results

The removal of Cambodia from the grey list is essential to stabilise the country's financial sector, especially given its high levels of both imports and exports. It may also increase investors' confidence and attract more foreign investment to the country.

Additionally, the removal from the FATF grey list may lead to its removal from the EU list of high-risk third countries. This is especially important because the EU is a [major trading partner](#) of Cambodia.

Cambodia is still listed in the [EU's list of high risk-third countries](#) and the [UK's list of high-risk third countries](#). It is expected to be removed from these lists, too, following the FATF decision.

### 4 Cambodia in the Basel AML Index

Cambodia overall risk score in the Basel AML Index<sup>3</sup> (Public Edition) is 7.36. This places it in the high-risk category compared to other global jurisdictions. In the latest update of the Expert Edition,<sup>4</sup> which is updated quarterly with the latest data, the risk score is 7.25.

Cambodia achieved the following scores in the latest FATF assessments:

- 15% for effectiveness
- 61% for technical compliance

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<sup>3</sup> The Basel AML Index is an independent country ranking and risk assessment tool for money laundering and terrorist financing (ML/TF), produced by the Basel AML Index since 2012. See: <https://index.baselgovernance.org>.

<sup>4</sup> Designed for busy professionals, the Basel AML Index Expert and Expert Plus editions offer deep, detailed and up-to-date insights into a jurisdiction's ML/TF risk score and the reasons behind it. Both editions are free for public-sector, international, non-profit and academic organisations. See: <https://index.baselgovernance.org/expert-edition>

Based on the Basel AML Index methodology and calculations, Cambodia's score on the FATF indicator alone is 6.96 – a high risk compared to the global average.<sup>5</sup>

While removal from the grey list is a very positive move for the country, there is still a long way to go for the country to improve its performance in other vital areas. The country suffers from high corruption and political risks and low financial transparency. Cambodia also faces risks related to human trafficking and environmental crimes.

### ***A note for Basel AML Index users***

The Basel AML Index uses FATF data from both MERs and follow-up reports to score a jurisdiction's ML/TF risks. Information on a jurisdiction's categorisation as being "under increased monitoring" ("grey list") or a "high-risk jurisdiction" ("black" list) is included in the Basel AML Index Expert Edition for information or decision-making purposes. This information is included in a separate column to the jurisdiction's risk scores. Being on these lists does not have an impact on the overall score of the jurisdiction in the Basel AML Index. This is because the jurisdiction's performance is already taken into account based on the latest MER and follow-up report data.

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<sup>5</sup> The Basel AML Index uses a double weight for effectiveness criteria in its methodology. See: <https://index.baselgovernance.org/methodology>.